UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF OHIO
EASTERN DIVISION

MGRD, INC., Plaintiff, vs. WAIORA, LLC AND WAIORA INTERNATIONAL, LTD., Defendants.	Case No. 1:17 MC 00014 JUDGE NUGENT

MEMORANDUM IN SUPPORT OF MOTION
TO QUASH SUBPOENA ISSUED TO TODD BENNI, ESQ.

Defendants Waiora, LLC and Waiora International, Ltd. (collectively, "Waiora") and third-party Todd Benni, Esq. submit this memorandum in support of their motion to quash the subpoena propounded by plaintiff MGRD, Inc. ("MGRD") on March 3, 2017 (the "Subpoena," a copy of which is attached as ***Exhibit 1***) to take Mr. Benni's deposition on March 14, 2017, in Southern District of Florida case number 17-CV-60061-Bloom, captioned *MGRD, Inc. v. Waiora, LLC and Waiora International, Ltd.* (the "Florida matter").

Mr. Benni, who is admitted to practice in Ohio and before the U.S. Patent and Trademark Office, is a member of McDonald Hopkins, LLC in its Cleveland, Ohio, office. McDonald Hopkins as a firm, and Mr. Benni in particular, has represented Waiora for many years, and McDonald Hopkins is Wairoa's counsel of record for the Florida matter.

Having already tried unsuccessfully to have McDonald Hopkins disqualified from representing Waiora in the Florida matter,[1] MGRD is once again attempting to invade and

[1] The Southern District of Florida denied MGRD's disqualification motion on February 22, 2017.

disrupt Waiora's relationship with its long-time counsel. And once again, there is no good for MGRD's attempted interference. MGRD can readily obtain the information it seeks from Mr. Benni from other sources, the information it seeks from him is privileged, work product and irrelevant, and it is not crucial to the preparation of its case. MGRD therefore cannot meet its high burden of showing good cause to justify taking the deposition of opposing counsel and its subpoena should be quashed.

Background and Procedural History

In July 2011, Waiora entered into a license agreement (the "License Agreement," a copy of which is attached as ***Exhibit*** *2*) with third-party Wellness Industries, Inc. ("Wellness Industries"). The License Agreement related to a liquid activated zeolite product (the "Wellness Product") that was sold under the brand names "Natural Cellular Defense" and "Chava." Under the License Agreement, Waiora had the exclusive right to manufacture, market, import, sell, and distribute the Wellness Product. Waiora's right under the License Agreement to manufacture the product using Wellness Product's formula and processes continued through July 7, 2016, and its right to sell such product continued through January 3, 2017.

On or about April 15, 2013, Wellness Industries executed a document by which it purported to assign "all of its rights, title and interest; and delegate all its obligations, responsibilities and duties, in and to the [License Agreement]" to MGRD. (A copy of that assignment is attached as ***Exhibit*** *3*.) Notably, however, Wellness Industries did not assign to MGRD its rights in or to the formula or process for manufacturing the Wellness Product (the "Intellectual Property").

During the term of the License Agreement, Waiora attempted to manufacture the Wellness Product itself. Quickly, however, Wairoa determined that the product could not actually be produced using the formula and process it received from Wellness Industries. Waiora therefore was forced to independently developed its own formula and processes for its zeolite-based product (the "Waiora Product"), which it sold during, and has continued selling after the expiration of, the License Agreement.

On January 10, 2017, MGRD filed its complaint in the Florida matter. (A copy of MGRD's Complaint in the Florida matter is attached as ***Exhibit*** 4.) Count One of MGRD's complaint alleges that Waiora has misappropriated trade secrets belonging to MGRD, *i.e.*, the Intellectual Property. Count Two seeks a declaratory judgment that MGRD is the owner of the Intellectual Property and that Waiora has no rights in or to it. Count Three alleges that Waiora International has violated the License Agreement by failing to make payments due under the License Agreement and by continuing to manufacture the Waiora Product after January 3, 2017. Count Four alleges that Waiora converted the Intellectual Property to their own use. MGRD also moved for a preliminary injunction to prevent Waiora from retaining the Intellectual Property or making further use of it. (A copy of MGRD's Motion for Preliminary Injunction is attached as ***Exhibit 5***.)

Waiora responded to MGRD's preliminary injunction motion and moved to dismiss MGRD's complaint. In opposing MGRD's injunction motion, Wairoa argues (1) MGRD lacks standing because it is not the owner of the Intellectual Property, (2) the Intellectual Property is not a protected trade secret because it was freely disclosed to third parties, and (3) regardless, the Waiora Product is not derived from the Intellectual Property but rather was independently developed by Waiora after it determined the Intellectual Property was unusable. (A copy of Waiora's Response to the Motion for Preliminary Judgment (without exhibits) is attached as ***Exhibit 6***.) A hearing on MGRD's preliminary injunction motion is scheduled for April 6, 2017, in Miami, Florida, and Waiora's motion to dismiss is pending.

Mr. Benni was the lawyer who represented Waiora in negotiating and drafting the Licensing Agreement in 2011, and in the unsuccessful negotiations to renew or replace the Licensing Agreement in 2016. Although he has not formally entered an appearance, Mr. Benni is also providing legal services to Waiora in the Florida matter. During an exchange of emails between counsel prior to filing this Motion to Quash, MGRD's counsel asserted that "[Mr. Benni's] deposition is necessary as he is the person who drafted both the original license agreement and the draft agreement that was circulated October 2016 – January 2017." (A copy of the email from MGRD's counsel is attached as ***Exhibit 7***.) Waiora and Mr. Benni disagree and ask the Court to quash MGRD's subpoena.

Law and Argument

A. This Court Has Jurisdiction over MGRD's Subpoena

This Court is the proper jurisdiction for Waiora and Mr. Benni to move for protection under Federal Rule of Civil Procedure 45 because Mr. Benni resides in Lorain County, Ohio, and the Subpoena requires his compliance, at McDonald Hopkins's Cleveland, Ohio offices, all of which are located within the jurisdictional territory of the Northern District of Ohio. *See* Fed. R. Civ. P. 45(d)(3) ("On timely motion, the court for the district where compliance is required must quash or modify a subpoena that ... (iii) requires disclosure of privileged or other protected matter, if no exception or waiver applies; or (iv) subjects a person to undue burden.").

B. MGRD Cannot Satisfy Any of The Elements Necessary For Seeking Discovery From Counsel

Under controlling Sixth Circuit precedent, a subpoena directed to an opponent's counsel should be quashed unless the propounding party can demonstrate that (1) no other means exist to obtain the information except from opposing counsel, (2) the information sought is both relevant and non-privileged, and (3) the information sought is crucial to the preparation of the case. *See Nationwide Mut. Ins. Co. v. Home Ins. Co.*, 278 F.3d 621, 628 (6th Cir. 2002) (citing *Shelton v. Am. Motors Corp.*, 805 F.2d 1323, 1327 (8th Cir. 1986)). The party seeking to depose its opponent's counsel has the burden of establishing these factors, and a subpoena should be quashed pursuant to Federal Rule of Civil Procedure 45(c) when any of them is not satisfied. *Id.* The Court should grant this motion because MGRD cannot satisfy any of the *Nationwide* factors.

1. MGRD Readily Can Obtain The Discovery It Seeks Through Other Means

The Court should quash the Subpoena because MGRD readily can obtain the discovery it seeks from Mr. Benni through other means. MGRD's predecessor-in-interest Wellness Industries was a party to the negotiations that led to the License Agreement, so MGRD can obtain any information it may need on that subject from Wellness Industries or, if necessary, from Wellness Industries' counsel. Likewise, MGRD itself was a party to the negotiations on a potential new agreement, so it already possesses or has direct access through its own counsel to any information it may need on that subject. Finally, the current owner of MGRD—Erik "Rik" Deitsch—was also the owner of Wellness Industries when the original License Agreement was negotiated, so he should already be in possession of any otherwise-discoverable non-privileged information relating to either agreement. The Court therefore should quash the Subpoena because MGRD cannot satisfy the first *Nationwide* factor.

2. The Discovery MGRD Seeks Is Privileged, Work Product And Irrelevant

The Court also should quash the Subpoena because the discovery MGRD seeks from Mr. Benni is privileged, work product and otherwise irrelevant. As amended, Federal Rule of Civil Procedure 26 embodies this factor by permitting discovery of:

> any non-privileged matter that is relevant to any party's claim or defense and proportional to the needs of the case, considering the importance of the issues at stake in the action, the amount in controversy, the parties' relative access to relevant information, the parties' resources, the importance of the discovery in resolving the issues, and whether the burden or expense of the proposed discovery outweighs its likely benefit.

Fed. R. Civ. P. 26(b)(1); *see* Fed. R. Civ. P. 45(d)(3)(A)(iii) (court should quash subpoena that "requires disclosure of privileged or other protected matter."). As Waiora's long-time trusted legal advisor, all of Waiora's confidential communications with Mr. Benni and his related opinions, conclusions and mental impressions arising out of or relating to his the services for Waiora are privileged. *See Fisher v. United States*, 425 U.S. 391, 403 (1976). Moreover, because Mr. Benni is providing legal services to Waiora with respect to the Florida matter, his knowledge on the matters upon which MGRD seeks to depose him also constitutes non-discoverable attorney work product. *See* Fed. R. Civ. P. 26(b)(3)(A). MGRD therefore cannot satisfy the second *Nationwide* factor because any testimony by Mr. Benni would be privileged and otherwise immune from discovery.

MGRD also cannot satisfy the second *Nationwide* factor because evidence relating to Mr. Benni's services in connection with Waiora's negotiations with Wellness Industries and MGRD are not relevant to anything at issue in the Florida matter, and more specifically for preliminary injunction hearing. Provided that MGRD sufficiently stated its claims, the salient issues in the Florida matter are whether Waiora is using the Intellectual Property and, if so, whether it is protectable as a trade secret. The only potential relevance of the License Agreement is that it was the vehicle under which the Intellectual Property was communicated to Waiora. How that agreement came about and what discussions the parties had about extending it are irrelevant to that issue. Moreover, paragraph 16(m) of the Licensing Agreement contains the following integration clause:

> *Entire Agreement.* This Agreement sets forth the entire agreement and understanding between the Parties as to the subject matter hereof and merges all prior discussions and negotiations between them, and neither of the Parties shall be bound by any conditions, definitions, warranties, understandings or representations with respect to such subject matter other than as expressly provided herein or as duly set forth on or subsequent to the date hereof in writing and signed by a proper and duly authorized officer or representative of the party to be bound thereby.

(License Agreement ¶ 16(m).) As such, the License Agreement speaks for itself, and any conversations that Mr. Benni may have had with anyone during the negotiations with Wellness Industries or MGRD are inadmissible parol evidence.

Finally, allowing MGRD to depose Mr. Benni would substantially burden Wairoa and Mr. Benni without conferring any legitimate benefit to MGRD. The attorney-client privilege "the oldest of the privileges for confidential communications known to the common law." *Upjohn Co. v. United States*, 449 U.S. 383, 389 (1981) (citing 8 J. Wigmore, Evidence § 2290 (McNaughton rev. 1961)). Its primary purpose is to encourage "'full and frank communication between attorneys and their clients and thereby promote broader public interests in the observance of law and the administration of justice.'" *Swidler & Berlin v. United States*, 524 U.S. 399, 403 (1998). Allowing MGRD to depose Mr. Benni when his knowledge of the facts MGRD seeks to discover exclusively the result of his attorney-client relationship with Waiora would substantially interfere with that relationship, particularly since Mr. Benni is currently engaged by Waiora with respect to the Florida matter. In contrast, MGRD cannot show any legitimate benefit to deposition Mr. Benni that could come close to outweighing the burden it would cause. Mr. Benni's testimony therefore is also irrelevant under Rule 26's balancing test. *See* Fed. R. Civ. P. 26(b)(1); *see also,* Fed. R. Civ. P. 45(d)(3)(iii), (iv). The Court accordingly should quash the Subpoena because MGRD also cannot satisfy the second *Nationwide* factor.

3. The Discovery MGRD Seeks Is Not Crucial

Lastly, the Court should quash the Subpoena because Mr. Benni's testimony is not crucial to MGRD's preparation of its case. MGRD seeks to discover Mr. Benni's communications with his clients and his related opinions, conclusions and mental impressions because "he is the person who drafted both the original license agreement and the draft agreement that was circulated October 2016 – January 2017." (*See* Exh. 7.) Mr. Benni's client communications and related thoughts on those subjects, however, are not relevant, let alone crucial, because *inter alia* the License Agreement is fully integrated and Waiora and MGRD did not consummate a new agreement following its expiration. Moreover, Mr. Benni was not a party to the License Agreement, nor would he have been a party to its replacement had there been one. Furthermore, MGRD has not alleged any act or omission by Mr. Benni as a basis for any of its claims. Mr. Benni's testimony therefore is not crucial to any issue in the Florida matter, so the Court also should quash the Subpoena under the third *Nationwide* factor.

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Put simply, MGRD has other avenues to obtain the discovery it seeks from Mr. Benni, any testimony that Mr. Benni could provide is privileged, work product and irrelevant, and Mr. Benni's testimony is not crucial to MGRD's preparation of this case. MGRD therefore cannot establish any of the *Nationwide* factors, let alone all three. Good cause therefore does not exist for MGRD's latest attempt to interfere with Waiora's relationship with its legal counsel, and the Court should quash the Subpoena.

Conclusion

For the foregoing reasons, Waiora and Mr. Benni respectfully requests that the Court grant this motion and enter an order quashing the Subpoena and prohibiting MGRD from taking the deposition of Todd Benni, Esq.

Respectfully submitted,

Dated: March 9, 2017

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Certificate of Service

I hereby certify that, on March 9, 2017, a copy of the foregoing is being served upon Daniel DeSouza, Esq., MGRD's counsel of record in the Florida matter, via email and by hand delivery at the following addresses:

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